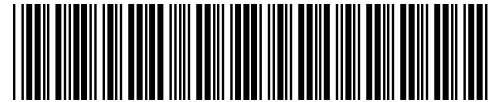


Form 307**Tax
Year 2002**Virginia Dept. of Taxation
2601153 Rev 10/02**Credit For Employers Of
Individuals With Disabilities**

Important: Form DEC must be filed and certified before completing this form.



Name	Federal Employer Identification Number
Social Security Number or Virginia Account Number	
Street address	Official Use Only
City, State and ZIP Code	

Form DEC must be filed and approved by the Virginia Department of Rehabilitative Services, the Virginia Department for the Blind and Vision Impaired or the United States Department of Veterans Affairs, whichever is applicable, before completing this form and claiming the credit on your 2002 Virginia income tax return. See instructions for details.

For taxable years beginning on and after January 1, 1999, but before December 31, 2002, the Credit for Employers of Individuals with Disabilities (Section 58.1-439.11, *Code of Virginia*) provides a tax credit for any employer who employs certain individuals with a disability who have completed or are completing rehabilitative services provided by the Department of Rehabilitative Services, the Department for the Blind and Vision Impaired or the United States Department of Veterans Affairs. The credit is 20% of the first \$6,000 of wages paid annually to each qualified employee during the first two taxable years of such employee's employment. This credit may be computed only for employees hired on or after January 1, 1999. Unused credits may be carried forward for up to three years, but may not be carried back to prior years.

To apply for this credit, complete Form DEC and file it for certification with the applicable agency (above) which provided the qualifying rehabilitative services. After certification, the form will be returned to you for use in completing this form. If not all qualifying employees received rehabilitative services from the same agency, complete a separate Form DEC for each agency, listing only those employees receiving qualifying services from that agency.

PART I - Employer Requirements

Review the requirements summarized below to determine if you have qualifying employees with disabilities who may qualify you to request approval for this credit. See the instructions for the definitions used below and additional information on requirements. Continue to Part II if you meet each of these requirements.

You employ one or more qualified employees with a disability who has completed or is completing rehabilitative services provided by the Department of Rehabilitative Services, the Department for the Blind and Vision Impaired or the U.S. Department of Veterans Affairs, and pay wages to that employee.

Employees meeting the qualification above are not relatives, as defined in the instructions, of any owner or the employer claiming the credit and do not own, directly or indirectly, more than five percent in value of the outstanding stock of a corporation claiming the credit.

The qualifying employee with a disability was hired on or after January 1, 1999.

PART II - CREDIT COMPUTATION

Complete Schedule 307A (Form 307), listing each employee with a disability who meets the qualifications listed. You must have a copy of Form DEC, certified by the Virginia Department of Rehabilitative Services, the Virginia Department for the Blind and Vision Impaired or the United States Department of Veterans Affairs, for each employee. Do not include any wages for disabled employees for any period in which you received federal or state employment training benefits for the employee(s) or any period during which the employee was on strike. If claiming this credit solely based on a pass-through distribution from a partnership, S corporation or limited liability company, enter the credit distribution on line 2 below.

Credit Computation Section

1. Enter the total credit amount computed on Schedule 307A (Form 307) from Column E, line 12. 1. _____
2. Credit distribution received from a partnership, S corporation or limited liability company. Enter the amount of credit distribution distributed to you. You must attach a copy of the distribution statement from the pass-through entity. 2. _____
3. Add lines 1 and 2 above. Enter here and on the applicable credit line of your Virginia income tax 3. _____

Instructions for Completing Form 307

Credit for Employers of Individuals with Disabilities

General Information Concerning This Credit

This credit is for employers who employ an individual with a disability and is available for taxable years beginning on and after January 1, 1999 but before December 31, 2002. This credit provides an income tax credit to each employer that employs a person with a disability who has completed or is completing rehabilitative services provided by the Department of Rehabilitative Services, the Department for the Blind and Vision Impaired or the United States Department of Veterans Affairs. During the first two years, the allowable credit is 20% of the first \$6,000 of wages actually paid annually to each qualifying employee during the first two taxable years of the employee's employment. Unused credits may be carried forward for up to three years, but may not be carried back to prior years. The credit may not be computed on wages paid to an employee with a disability for any period in which the employer received federal or state employment training benefits for the employee or any period during which the employee was on strike. **See the definitions section for details on the terms used when completing Forms DEC and 307.**

The credit is allowable against the following taxes administered by the Virginia Department of Taxation: individual income tax, estate and trust tax, corporation income tax and bank franchise tax. The credit is also allowable against the following taxes administered by the Virginia State Corporation Commission: taxes imposed upon insurance companies and utility companies (under Sections 58.1-2500 et. seq. and Section 58.1-2620 et seq., *Code of Virginia*). The same tax credit cannot be applied against different taxes.

Process Overview For Claiming This Credit

File Form DEC first.

Employers claiming this credit must complete Part I of Form DEC and file it with the agency that provided rehabilitative services to the employee. That agency will complete Part II of the form and return it to you, certifying that qualifying training was provided. Allow at least 60 days for Form DEC to be completed and returned to you.

Next, compute the credit on Form 307 and claim the credit on your tax return.

When To File Form DEC and Form 307

In order to allow sufficient time for certification from the state or federal agency providing the rehabilitative services, file **Form DEC** at least 60 days before the due date of your income tax return so that the certification process will be completed in time to file your income tax return. When Form DEC has been returned, complete Form 307 to compute this credit and claim it on your tax return.

You may need to file for an extension of time to file or file an amended return

If certification is not received before the due date of your income tax return, you must file for an extension of time to file your income tax return or file an amended income tax return after the credit is computed. As a general rule, an amended return must be filed within three years from the due date of the original return. See the instructions for the tax return on which this credit will be claimed for additional information on filing extensions and amended returns.

Instructions For Completing Form 307

Instructions for completing Form 307 and Schedule 307A are on back of each respective form. Qualifying employees with disabilities will be listed on Schedule 307A, then the credit will be transferred to Form 307. See the definitions section below to ensure that you compute the credit correctly on qualifying employees.

Definitions

"Qualified employee" means an otherwise qualified person with a disability who has completed or is completing rehabilitative services provided by the Department of Rehabilitative Services, the Department for the Blind and Vision Impaired or the U.S. Department of Veterans Affairs. An otherwise qualified person claiming a disability (i) shall not be a relative of any owner or the employer claiming the credit and (ii) shall not own, directly or indirectly, more than five percent in value of the outstanding stock of a corporation claiming the credit.

“Relative” means a spouse, child, grandchild, parent or sibling of an owner or employer.

“Owner” means, in the case of a corporation, any person who owns five percent or more of the corporation’s stock.

“Wages” means wages, within the meaning of § 51 (c) (1), (2) and (3) of the Internal Revenue Code without regard to § 51 (c) (4) of the Internal Revenue Code, that are paid by an employer to an employee for services performed in the employer’s trade or business.

What To Attach

When claiming this credit on your income tax return, attach a complete copy of Form 307, including Schedule 307A, and a copy of the Form DEC received from the applicable agency providing rehabilitative services for each qualifying employee on which this credit is computed. If claiming this credit as a distribution from a pass-through entity (partnership, S corporation or limited liability company), a statement from the partnership, S corporation or limited liability company showing the applicable portion of the credit distributed must be attached.

Pass-Through Entities

If a partnership, S corporation, or limited liability company distributes a portion of this credit, it must provide a statement to each partner, shareholder or member stating the portion of this credit distrib-

uted to that partner, shareholder or member. A copy of this statement must be attached to the income tax return of each partner, shareholder or member claiming a distributive share of this credit.

Each partnership or limited liability company distributing this credit must also send a copy of the same partner or member information directly to the **Virginia Department of Taxation, ATTN: Employers of Individual with Disabilities Tax Credit Distribution, P. O. Box 715, Richmond, Virginia 23218- 0715** within 60 days of making the distribution.

Each taxpayer receiving a distributive share of this credit must receive a copy of the pass-through entity’s Form 307 or a statement that identifies the entity earning the credit (name, address, and state and federal identification number), and provides all information set forth on Form 307. Each taxpayer receiving a distribution will enter the amount received on Form 307, line 2.

Where To Get Help

For assistance, write the **Virginia Department of Taxation, P. O. Box 1115, Richmond, VA 23218-1115 or call (804) 367-8036**. To order forms or a copy of the regulations, call **(804) 236-2760, or (804) 236-2761**. If you have Internet access, visit our web page at **www.tax.state.va.us** to obtain most Virginia income tax forms and additional tax information. Forms are also available from the office of your local Commissioner of the Revenue, Director of Finance or Director of Tax Administration.

Schedule 307A (Form 307)
Qualifying Employees With Disabilities
Receiving Rehabilitative Services

Tax Year _____

Page ____ of ____
 Attach additional schedules as
 needed



Name as it appears on your tax return	FEIN - OR - Social Security Number	Virginia Account Number
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Complete this schedule to list all qualifying employees who completed or are completing rehabilitative services provided by the Virginia Department of Rehabilitative Services, the Virginia Department for the Blind and Vision Impaired or the United States Department of Veterans Affairs during the taxable year. See the instructions for definitions to use in determining if an employee qualifies for purposes of this credit.

List in alphabetical order by last name each qualifying employee for which you have a completed Form DEC certifying that the employee received or is receiving qualifying rehabilitative services. Next, enter the information requested for each employee. Do not include any employee also claimed for purposes of the Major Business Facility Job Tax Credit, computed on Form 304. See the definitions in the separate instructions before completing this schedule.

When completing Column D, do not include any wages paid during a period for an employee who was on strike or for whom the employer received simultaneous federal or state employment training benefits. However, the employer may claim this credit even if also claiming the federal Work Opportunity Act credit based on the same employee.

Column A: Enter the name and social security number of each qualifying employee (see definitions)

Column B: Enter the date that the employee was hired.

Column C: Enter the initials of the qualifying agency providing rehabilitative services based on the following:

VDRS = Virginia Department of Rehabilitative Services

DBVI = Virginia Department for the Blind and Vision Impaired

USDVA = United States Department of Veterans Affairs.

Column D: Enter the actual qualifying wages paid to the employee and incurred by the employer during the taxable year.

Column E: Multiply the amount in Column D by 20% and enter the amount computed, up to \$1,200.

Column F: Enter "1" for the first year in which the credit is claimed for this employee. ("2" should be entered in this column for the second year.) The credit may be computed for only two years for each employee.

	Column A	Column B	Column C	Column D	Column E	Column F
	Employee name and social security number	Date hired	Agency Certifying Rehabilitative Services	Qualifying Wages	Tax Credit (See instructions)	No. of Years claimed for employee- (Enter 1 or 2)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11	Total from additional page(s)					
12	Grand Total (Add lines 1 through 11 and enter on Form 307, Part II, Line 1.)					